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PAGE 001

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FM AMEMBASSY TEGUCIGALPA

C TO RUEHC/SECSTATE WASHDC IMMEDIATE 6805

INFO RUEGT/AMEMBASSY GUATEMALA 9144

RUESJO/AMEMBASSY SAN JOSE 7039

C RUESMG/AMEMBASSY MANAGUA 3758

RUEHZP/AMEMBASSY PANAMA 5969

RUESAL/AMEMBASSY SAN SALVADOR 7864

C RUESBG/AMEMBASSY BOGOTA 1019

RUESRS/AMEMBASSY CARACAS 669

RUEHME/AMEMBASSY MEXICO 492

C RUEHOT/AMEMBASSY OTTAWA 50

BT

C O N F I D E N T I A L TEGUCIGALPA 1517

E.O. 12065: GDS 2/24/88 (WACKERBARTH, PAUL H.) OR-E

TAGS: ETRD, EFIN, EINV, EAID, HO, XK, XL

C SUBJ: PRESIDENTIAL ANNOUNCEMENT OF THE CARIBBEAN BASIN INITIATIVE

REFS: (A) TEGU 1432; (B) STATE 45824

C 1. CONFIDENTIAL - ENTIRE TEXT.

C 2. AMBASSADOR, ECONOMIC OFFICER AND ACTING AID DIRECTOR

MET WITH PRESIDENT SUAZO EARLY MORNING FEBRUARY 24 TO DELIVER

PRESIDENT'S COMMUNICATION ON CARIBBEAN BASIN INITIATIVE AND

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C State Dept. review completed

CONFIDENTIAL

STATE

82 8076314 SCO

PAGE 002

NC 8076314

TOR: 250240Z FEB 82

BRIEF HIM ON SUBSTANCE OF PRESIDENT'S PROPOSALS. ON FEBRUARY 23 WE BRIEFED FINANCE MINISTER, ECONOMY MINISTER AND CENTRAL BANK PRESIDENT ON CBI AND ON FEBRUARY 24 WE ALSO TOUCHED BASE WITH PRESIDENT OF LEGISLATIVE ASSEMBLY. ADDITIONALLY, AMBASSADOR AND EMBOFFS MET WITH PRIVATE SECTOR LEADERS ON FEBRUARY 24. REACTION OF LATTER GROUP WILL BE REPORTED SEPTEL.

3. RESPONSE TO BRIEFINGS ON PRESIDENT'S CBI PROPOSALS WAS POSITIVE IN ALL CORNERS. THE PRESIDENT EXPRESSED APPRECIATION FOR PRESIDENT REAGAN'S LETTER AND INDICATED THAT THE PROPOSALS OUTLINED WOULD BE HELPFUL TO HONDURAS. MINISTER OF ECONOMY ALFARO DESCRIBED THE PROGRAM AS A TANGIBLE EXAMPLE OF THE UNITED STATES' INTENTION TO HELP HONDURAS. HE NOTED THAT THE SPEECH WAS TIMELY SINCE PRESIDENT SUAZO WOULD BE ADDRESSING THE COUNTRY ON THE STATE OF THE ECONOMY ON FEBRUARY 27. HE FURTHER OBSERVED THAT IT WAS PRESIDENT SUAZO'S INTENTION TO GET THE HONDURAN PEOPLE AWAY FROM THE IDEA THAT THEIR PROBLEMS CAN BE RESOLVED SIMPLY BY MASSIVE FOREIGN ASSISTANCE. HE FELT THAT THE CBI'S THREE-PRONGED APPROACH MESHED WELL WITH SUAZO'S CONCEPT OF TRYING TO GET THE HONDURANS TO ACT MORE IN THEIR OWN BEHALF. THE ECONOMY MINISTER WENT ON TO SAY THAT HE THOUGHT HONDURAS WOULD RESPOND PRODUCTIVELY TO MORE LIBERALIZED TRADE AND INCREASED INVESTMENT BUT IT WOULD BE IN THE MEDIUM TERM BEFORE THE RESULTS WOULD BE REALIZED. HE ALSO SAID THAT HONDURAS WOULD BE INTERESTED IN A MORE LIBERAL TEXTILE POLICY SINCE IT HAS UNUTILIZED CAPACITY. MINISTER OF FINANCE CORLETO REACTED TO THE BRIEFING BY DESCRIBING IT AS GOOD NEWS THAT IS GOING TO HELP HONDURAS A LOT. HE SAID HE WAS HAPPY TO HEAR THAT THE SPEECH WOULD BE DELIVERED BEFORE THE OAS ON WEDNESDAY BECAUSE MUCH ADD HAD BEEN MADE OF THE INITIATIVE EARLIER BUT NOTHING SEEMED TO BE HAPPENING. HE WAS GRATIFIED TO LEARN THAT SUCH A COMPREHENSIVE PROGRAM HAD BEEN DEVELOPED. WITH REGARD TO SPECIFICS, CORLETO WELCOMED THE IDEA OF SPECIAL TAX INCENTIVES FOR U.S. INVESTORS NOTING THAT HONDURANS HAD BENEFITTED FROM THE GOOD NEIGHBOR POLICY'S WESTERN HEMISPHERE TRADING CORPORATION CONCEPT. HE THOUGHT HONDURAS MIGHT BE INTERESTED IN A BI-LATERAL

CONFIDENTIAL

CONFIDENTIAL

STATE

82 8076314

SCD

PAGE 003

NC 8076314

TOR: 250240Z FEB 82

INVESTMENT TREATY WITH THE U.S. AND SAID HE WOULD CONSULT WITH HIS COLLEAGUES IN THE ECONOMIC CABINET ON THIS. HE INDICATED THAT MORE EXTENSIVE INVESTMENT INSURANCE COVERAGE WOULD BE HELPFUL AND PLEADED FOR SIMPLER CRITERIA IN MAKING IT AVAILABLE TO INVESTORS HERE. HE NOTED THE BALANCE OF PAYMENTS AND BUSINESS STIMULATION BENEFITS FROM AN INJECTION OF SPECIAL ESF ASSISTANCE. HE ALSO SAW THE IMPORTANCE OF EXPANSION EXIM PROTECTION FOR SHORT-TERM CREDIT FOR IMPORTS. LEGISLATIVE ASSEMBLY PRESIDENT BU GIRON PARTICULARLY GRASPED THE CONCEPT OF CLOSER POLITICAL RELATIONSHIPS WHICH FOLLOW FROM INCREASED TRADE AND INVESTMENT.

4. COMMON CONCERN AMONG ALL THE GOVERNMENT LEADERS WAS HOW MUCH ESF ASSISTANCE WOULD BE ALLOTTED FOR HONDURAS. WE EXPLAINED THAT WE DID NOT HAVE A FIGURE YET BUT THAT THIS WOULD BECOME KNOWN IN A WEEK OR SO WHEN THE CBI PROGRAM IS PRESENTED TO CONGRESS. (COMMENT. THE ABSENCE OF FIGURES AT THIS TIME, MAY BE ALL FOR THE GOOD BECAUSE IT SERVES TO FOCUS GREATER ATTENTION ON THE TRADE AND INVESTMENT ASPECTS OF THE PROGRAM AND SUGGESTS ACTIONS WHICH THE HONDURAN PUBLIC AND PRIVATE SECTORS CAN TAKE THEMSELVES TO RESPOND. END COMMENT).

5. A NUMBER OF QUESTIONS CAME UP IN THE COURSE OF THE BRIEFING. WE WOULD APPRECIATE DEPARTMENT'S ADVICE AS TO HOW TO RESPOND TO THEM. AMONG THE QUERIES RECEIVED WERE:

- (A) WHAT IS THE PROPOSED CEILING LEVEL FOR THE VOLUME OF SUGAR WHICH MAY ENTER THE U.S. DUTY FREE?
- (B) WILL THE TAX INCENTIVES FOR U.S. INVESTORS IN THE REGION BE COMPARABLE TO THOSE OFFERED UNDER THE WESTERN HEMISPHERE TRADING CORPORATION?
- (C) HOW DOES THE CONCEPT OF THE ONE-WAY FREE TRADE ZONE RELATE TO U.S. COMMITMENTS AS A MEMBER OF GATT?
- (D) WILL LOCAL COUNTERPART FUNDS GENERATED BY ESF BE MADE AVAILABLE FOR PRE-EXPORT FINANCING?

6. WE WILL REPORT POST-CBI ADDRESS PUBLIC REACTIONS OVER THE NEXT FEW DAYS.  
NEGROPONTE

END OF MESSAGE

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